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LET ME BEGIN BY SAYING THAT THE WORLD -- ESPECIALLY THE WORLD OF NATIONAL INTELLIGENCE -- HAS FUNDAMENTALLY CHANGED. IT IS THIS DRAMATIC CHANGE, IN FACT, WHICH BRINGS ME HERE TODAY. THE FACT IS THAT OUR FOCUS HAS CHANGED -- AND THE ROLE OF THE U.S. CORPORATION IN AMERICAN INTELLIGENCE HAS CHANGED AS

WELL. IN TIMES PAST, WHEN WE FOLLOWED ONLY THE SOVIET MILITARY AND POLITICAL THREAT TO CENTRAL EUROPE, AND WHEN ECONOMIC AND TECHNOLOGICAL ISSUES WERE NOT OF SUCH IMPORTANCE AS THEY ARE TODAY, AMERICAN CORPORATIONS COULD SIT ON THE SIDELINES AND "SPECTATE" AND CHEER AT EVENTS TAKING PLACE IN THE INTELLIGENCE ARENA.

NOT SO TODAY! MORE THAN EVER BEFORE, INTELLIGENCE HAS BECOME THE RESPONSIBILITY OF EVERY AMERICAN. INDEED, THE HEALTH AND WELFARE OF AMERICAN INTELLIGENCE IS YOUR BUSINESS, AND THE BUSINESS OF EVERY CEO IN THE UNITED STATES. NO LONGER IS IT POSSIBLE TO DRAW A BIG LINE OF DISTINCTION BETWEEN THE NATIONAL SECURITY OF THE AMERICAN PEOPLE ON THE ONE HAND, AND THE ADVANCEMENT OF CORPORATE INTERESTS ON THE OTHER. THE FACT IS, THAT NATIONAL SECURITY AND CORPORATE ECONOMIC HEALTH ARE TIGHTLY INTERTWINED. IN SHORT, AMERICAN CORPORATIONS NO LONGER ARE SPECTATORS IN NATIONAL SECURITY MATTERS. THEY ARE PLAYERS.

LET ME GIVE YOU SOME EXAMPLES OF HOW THE WORLD HAS CHANGED FROM THE INTELLIGENCE PERSPECTIVE. SOME OF YOU MAY OR MAY NOT BE AWARE OF THE BROAD RANGE OF POLICY-RELEVANT ISSUES THAT WE IN CIA ARE CALLED UPON TO ASSESS. INDEED, CIA NOW CLOSELY MONITORS AND STUDIES A RANGE OF SUBSTANTIVE ISSUES AND PROBLEMS THAT WOULD HAVE AMAZED OUR PREDECESSORS. IN ADDITION TO OUR CONTINUING WORK ON THE SOVIET UNION, WE NOW COLLECT AND ANALYZE INFORMATION ON SUBJECTS AS DIVERSE AS:

- ° INTERNATIONAL TERRORISM, NARCOTICS AND ILLEGAL FINANCIAL FLOWS
- ° INTERNATIONAL ECONOMIC AND FINANCIAL DEVELOPMENTS
- ° FOREIGN INDUSTRIAL TECHNOLOGIES, TECHNOLOGY TRANSFER AND THEFT, AND INTERNATIONAL ECONOMIC COMPETITION

- ° NEW RESOURCES, MATERIALS, AND THE FUTURE OF ECONOMICALLY VITAL COMMODITIES
- ° INSURGENCIES AND INSTABILITY AROUND THE WORLD
- ° THIRD WORLD DEBT
- ° NUCLEAR AND CHEMICAL WEAPONS PROLIFERATION
- ° AND MANY, MANY MORE.

II SOVIET THREAT

*No doubt that Soviet Union continues to occupy main focus of our intelligence efforts. The USSR is only country that can deliver strategic blow against us, and is nation most interested in thwarting US efforts to bring peace and stability to world. During peacetime, Soviets use variety of means to raise questions about US ability to meet its guarantees and commitments to our allies--key factor in US foreign policy. In addition, Soviets continue to pursue policy of expanding their influence and control in Third World.

*Soviet military challenge, present and future, is based on growing arsenal of nuclear weapons they have aimed at US, Western Europe and East Asia. New missiles and missile carrying aircraft and submarines are being designed, developed, tested and deployed in amazing profusion. This is augmented by work Soviets have carried on over last decade to improve their missile defenses. We have also seen alarming signs that Soviets have violated 1972 treaty limiting missile defenses. Radar deployments, testing of interceptors and other activities

would give Soviets running start if they decide to ignore treaty and establish nationwide missile defense system. This could tip strategic balance against us.

°Soviet effort is both comprehensive and ambitious, but places heavy burden on Soviet economy. Demographic trends are also working against them--growth of minority populations may make it increasingly difficult to maintain kind of internal political stability they have enjoyed up to present. Finally, Soviets have had serious problems in translating awesome military power into political gains abroad.

°Although Soviets are frustrated by some developments abroad, they continue to pursue Third World strategy to expand power and influence. This policy relies on group of trusted surrogates--Cubans, Vietnamese, East Europeans, North Koreans and Libyans--who act as Soviet proxies in fighting wars of liberation, training terrorists and carrying out security duties throughout Third World.

*This strategy has enabled Soviets to project military power abroad and enhance military positions closer to areas of strategic interest and concern. Soviet bases in Afghanistan bring them 500 miles closer to warm water ports of Indian Ocean and oil fields of Arabian peninsula, their Vietnamese allies now threaten China's southern flank, and Soviet presence in Cuba has permitted greatly increased activity in this hemisphere. Soviets and their Cuban allies have entrenched themselves in southern Africa, and in Syria in Middle East.

*Soviet strategy has not expanded beyond military dimension. Soviets have been unable to deliver political or cultural benefits to Third World, and without exception, economic record of Third World countries that have come under Soviet influence has ranged from poor to very poor. Soviets cannot compete against West in non-military areas and have been forced to rely on various kinds of active measures to enable surrogates and internal allies to seize power. Now, Soviets are facing serious resistance to their Third World strategy--in Afghanistan, Kampuchea, Angola, and Nicaragua, for example.

*Perhaps most critical and most difficult intelligence challenge we face is assessment of Soviet technology and science, and potential of such Soviet programs--including their space programs--for military and strategic surprise. Soviet capabilities in some areas rival our own, although periodic estimate we produce in this area shows that US remains in lead in critical areas under review. But, Soviets making remarkable progress--and they are doing it with help of Western technology. Ability of Soviet military-industrial complex to acquire and assimilate Western technology far exceeds previous estimates.

*During late 1970s, Soviets obtained about 30,000 samples of Western production equipment, weapons and military components. They obtained over 400,000 technical documents, classified and unclassified, mostly from US, but also from Western Europe and Japan. They used both legal and illegal means to acquire this material. Soviet intelligence services--KGB and its military equivalent, GRU--and Eastern European services stole about 70 percent of technology most significant to Soviet military equipment and weapons programs.

*These acquisitions have saved Soviets hundreds of millions of rubles in research and development costs and have accelerated development of some programs by as much as five years. Unfortunately, not all technical material, especially material related to aircraft and space systems, is classified or otherwise controlled. They can be bought over counter--for example, Soviet new space shuttle which should be operational by end of decade, is based on US designs purchased from NASA. There are other examples:

--Soviet trucks being used in Afghanistan came from plant outfitted with US and European machinery.

--Precise gyros and bearings in Soviet heavy missiles were designed in US.

--Radar in their AWACS is ours.

--Many Soviet advances in avionics, fire control and navigation systems, cruise missile technology and aircraft power plants are based on US designs.

°Because Soviets obtain their know-how using both legal and illegal means, seems clear that US and Western allies are going to have to take steps to protect our military, industrial, commercial and scientific communities with two aims in view. First, we must seem to maintain our technological lead time over Soviets in vital design and manufacturing technology. Second, we have to control export of manufacturing, inspection, and automatic test equipment that enables Soviets to overcome their deficiencies in military-industrial production. US and its allies have already established some controls, but it appears likely that Soviets will continue efforts--both legal and illegal--to obtain our advanced designs and sophisticated machinery. And, they won't have any hesitation in using what they have obtained against us.

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